



LEYSHON

23 April 2007

MARCH 2007 QUARTERLY REPORT

Rapidly Bringing Heilongjiang's First Ever Sino Foreign Gold Mine into Production

Leyshon Resources Limited (ASX/AIM: LRL) is pleased to report that during the quarter it has made substantial progress on a number of fronts in the rapid development of the Zheng Guang gold zinc project in Heilongjiang, northeast China.

Operations Update

It recently announced a significant increase and upgrade to its resource estimate from a highly successful 2006 drill programme. Independent consultancy Hellman and Schofield Pty Ltd of Australia estimated the resource at 1.21 million ounces of gold, 94,000 tonnes of zinc and 3.72 million ounces of silver.

A report prepared by independent metallurgical consultancy Metallurg of Australia, based on a testwork programme undertaken by AMMTEC, has concluded that the treatment of Zheng Guang ore can produce gold and silver metal through a conventional carbon in leach circuit (CIL) and a high grade zinc concentrate through the addition of a flotation circuit.

Gold and silver recoveries in the CIL circuit are expected to be 89% and 74% respectively and 84% and 74% in the flotation circuit. Zinc recovery of over 90% is expected producing a saleable concentrate assaying over 45% zinc.

The proposed process route designs are based on a 1.5 million tonnes per annum plant which will treat the near surface oxide and transition ores through a conventional CIL circuit producing around 68,000 ounces of gold and 170,000 ounces of silver per annum.

The proposed flotation circuit will be added to treat the zinc-rich deeper sulphide ores. The circuit will comprise whole of ore flotation to produce a combined metal concentrate which will be reground and then leached to produce around 100,000 ounces of gold and 230,000 ounces of silver metal and then re-floated to produce 14,000 tonnes of zinc concentrate containing 7,000 tonnes of zinc.

Engineering design is expected to commence shortly which will allow the estimated capital costs to be refined. Preliminary estimates suggest that the initial capital for infrastructure and the CIL circuit will be around US\$30 million and the flotation circuit US\$20 million.

At current metal prices, the project is forecast to generate annual revenues of around US\$90 million with a cash operating cost in the order of US\$155/oz (after allowing for zinc and silver credits) for an EBITDA of US\$54 million.

With discovery costs running at less than US\$5 per gold equivalent ounce the project is well positioned to capitalise on the forecast strong gold and zinc prices.

Company Strategy

The Company's strategy is to rapidly bring Zheng Guang into production and to increase the joint venture's exploration licence holdings over an area it believes to be host to a large mesothermal and epithermal gold system which has yielded considerable alluvial and surface gold, but as yet has been unexplored by modern exploration methods.

The 2007 exploration programme is scheduled to commence in May and will focus on infill drilling the Main Ore Zone for grade control purposes and further testing of prospects at Zheng Guang North, South, East and other areas with a view to increasing resources.

Leyshon's partner, the Qiqiha'er Brigade of the Heilongjiang Bureau of Geology and Mineral Resources, one of the largest organisations of its kind in China, is providing a range of services to the joint venture from its complement of 4,000 technical staff, drill rigs, laboratory and other technical facilities. This valuable support is enabling the project to rapidly move ahead on an extremely cost effective basis.

Leyshon created the province's first Sino Foreign Mining Joint Venture in January 2004 and has earned a 70% interest in the project which was a greenfields discovery in 2000. In April, a 20 year agreement was entered into with Qiqiha'er Brigade which sets out the terms under which the joint venture company will explore, finance and develop the project.

Recent Appointments

The Company has recently announced the appointment of Dr Dong Ping Ye ("Ping") as Project Manager and Mr Ian Bruce as Chief Geologist.

Ping was previously Commercial Manager with Hatch Engineering, one of the world's leading engineering consultancies to the mining industry. He has more than 8 years international project management experience including the successful completion of the US\$235 million galvanising plant in Eastern China for BlueScope Steel (formerly BHPBilliton) and more recently the US\$5 billion Algeria Express Way Joint Venture Project in North Africa with China's CNNC Engineering.

Ian is a highly experienced Geologist who has most recently been instrumental in the development of the Dairi zinc-lead prospect in Sumatra, Indonesia which during his tenure was taken from an exploration prospect through feasibility to its current construction stage.

His earlier experience covers near mine and remote area exploration programmes in Australia and Southeast Asia where he has worked extensively in mesothermal and epithermal gold and copper-gold styles of mineralisation.

The Company welcomed the appointment of Mr Richard Seville as a non-executive director. Mr Seville is a mining geologist with 25 years exploration and mine development experience gained in gold, base metals and coal projects in Australia and Africa.

Forging ahead

Leyshon has A\$20.4 million cash on hand after completing the second tranche of an £8.3 million raising during the quarter.

The Company has its main operating office in Beijing and remains one of the very few foreign mining companies with its Chairman, Managing Director and Chief Operating Officer all based in China .

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Geological Information

The exploration data on which the Mineral Resource estimate is based has been compiled by Mr Malcolm Wilson who is a member of the Australian Institute of Mining and Metallurgy. At the time of its compilation, Mr Wilson was a full time employee of Leyshon Resources Limited. Mr Wilson has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wilson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report relating to mineral resource estimation, is based on work completed by Mr Jonathon Abbott who is a full time employee of Hellman and Schofield and a member of the Australian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in this report of those matters relating to mineral resources in the form and context in which it appears.